

Cost Based Support

Federal support for wireless carriers should be based on their costs, not those of wireline local exchange carriers. Average costs for wireless carriers are available and reasonably similar to costs maintained by local exchange carriers.¹ This information is average system wide data for the CMRS provider, but when evaluated, (a) Provides cost data comparable to that used to demonstrate an ILEC's cost-based need for support and (b) Provides a universal service cost analysis like that used for the large ILECs (BOCs, etc.) for which support is based on the average of the costs of their urban and rural service areas. If the Commission wants to evaluate the CMRS carrier's costs for a particular study area, it is likely that this data can be produced by the applicant carrier. The minimal analysis that is required to collect, prepare and review these costs, or the minimal effort that would be required by the applicant to provide this data is clearly in the public interest to insure that the applicant needs the support and the support funds generated by customers throughout the nation is not a unneeded revenue windfall for the applicant.

¹ Network and costs of equipment sales are similar to Part 32 accounts 6110 to 6540. General and Administrative costs are similar to Part 32 account 6720. Sales and marketing costs are similar to Part 32 accounts 6611, 6613 and 6620. Depreciation and amortization costs are similar to Part 32 account 6560. Property plant and equipment costs, net of reserves are similar to Part 32 accounts 2001, 2002, and 2003 less reserves, accounts 3100 and 3200. Taxes are similar to Part 32 account 7200.

RCC Minnesota, Inc.

The following information was compiled from RCC's Securities and Exchange (SEC) Report, Consolidated Statement of Operations and Balance Sheet for December 31, 2002 annual results:

• Network costs	\$ 97,200,000
• Cost of Equipment Sales	\$ 29,184,000
• Selling, General and Administrative	\$114,264,000
• Depreciation and Amortization	\$ 82,497,000 ²
• Return on Property and Equipment	\$107,829,000 ³
• Taxes	\$ _____ 0 ⁴
• Total	\$430,974,000
• Lines Served	722,373
• <u>Cost Per-Line (annual)</u>	<u>Approximately \$600</u>
• <u>Revenues per-line without federal support (annual)</u>	<u>\$684</u>

RCC's average monthly revenue per-line of \$57 or an annual amount of \$684 per-line for the same period, more than covers RCC's annual costs of approximately \$600 per-line. **Consequently, RCC has no need for federal universal service funding and any such funding would be a windfall for RCC's stockholders.**

² This amount appears to include RCC's license, customer list and goodwill amortizations.

³ RCC's Net Investment is estimated to be the Net Property and Equipment of \$240,536,000 plus Inventories of \$6,624,000 plus Net Licenses of \$618,576,000 plus Customer Lists of \$92,748,000, for a total of \$958,484,000 as of December 31, 2002 from the RCC SEC report. The Federal return on net investment of 11.25% times \$958,484,000 is \$107,829,000.

⁴ Taxes were set a zero because the net return of \$107,829,000 (calculated in footnote 2) less the interest expense of \$110,597,000 (from the December 31, 2002 RCC SEC report) is negative – (\$2,702,000).

United States Cellular Corporation

The following information was compiled from USCC's 2002 Annual Report, Consolidated Statement of Operations and Balance Sheet for December 31, 2002 annual results:

• System Operations	\$ 492,750,000
• Marketing and Selling	\$ 368,888,000
• Cost of Equipment Sold	\$ 185,283,000
• General and Administrative	\$ 505,237,000
• Depreciation	\$ 311,993,000
• Amortization	\$ 39,161,000
• Return on Property and Equipment	\$ 371,670,000 ⁵
• Taxes	\$ <u>0</u> ⁶
• Total	\$2,274,982,000
• Lines Served	4,103,000
• <u>Cost Per-Line (annual)</u>	<u>Approximately \$550</u>
• <u>Revenues per-line without federal support (annual)</u>	<u>Approximately \$570.</u>

USCC's average monthly revenue per-line of \$47.25 or an approximate annual amount of \$570 per-line for the same period, more than covers USCC's annual costs of approximately \$550 per-line. **Consequently, USCC has no need for federal universal service funding and any such funding would be a windfall for USCC's stockholders.**

⁵ USCC's Net Investment is estimated to be the Net Property and Equipment of \$2,007,669,000 plus Inventories of \$55,490,000 plus Net Licenses of \$1,038,556,000 plus Customer Lists of \$40,087,000 plus Systems Development Costs of \$161,928,000, for a total of \$3,303,730,000 as of December 31, 2002 from the USCC SEC report. The Federal return on net investment of 11.25% times \$3,141,802,000 is \$371,670,000.

⁶ Income taxes were set at zero because the net income, shown in the Consolidated Statement of Operations is negative.

Western Wireless Corporation

The following information was compiled from Western Wireless' Securities and Exchange (SEC) Report, Consolidated Statement of Operations and Balance Sheet for September 30, 2003 annual results:

• Cost of Service	\$ 411,976,000*
• Cost of Equipment Sales	\$ 148,417,000*
• General and Administrative	\$ 251,988,000*
• Sales and Marketing	\$ 200,752,000*
• Depreciation and Amortization	\$ 277,749,000*
• Return on Property and Equipment	\$ 227,475,000 ⁷
• Taxes	\$ <u>0</u> ⁸
• Total	\$ 1,518,357,000
• Lines Served	2,265,800
• <u>Cost Per-Line (annual)</u>	<u>Approximately \$670</u>
• <u>Revenues per-line without federal support (annual)</u>	<u>\$640*</u>

*Annualized based on results as of September 30, 2002

Western Wireless' average monthly revenue per-line of \$640 nearly covers Western Wireless' annual costs of approximately \$670 per-line. Were it not for international revenues, per line are only 60% of its domestic revenues per line, Western's revenues would easily cover its cost per line. **Consequently, Western Wireless has no need for federal universal service funding and any such funding would be a windfall for Western Wireless' stockholders.**

⁷ Western Wireless's September 30, 2003 Net Investment is estimated to be the Net Property and Equipment of \$821,448,000 plus Inventories of \$18,815,000 plus Net Licenses of \$1,160,078,000 plus Other Assets of \$21,658,000, for a total of \$2,021,999,000 from the Western Wireless SEC report. The Federal return on net investment of 11.25% times \$2,021,999,000 is \$227,475,000.

⁸ Income taxes were set at zero because the net income, shown in the Consolidated Statement of Operations is negative.

Dobson Wireless

The following information was compiled from RCC's Securities and Exchange (SEC) Report, Consolidated Statement of Operations and Balance Sheet for September 30, 2003 annual results:

• Costs of Service	\$ 161,044,000
• Cost of Equipment Sales	\$ 48,537,000
• Selling and Marketing	\$ 70,055,000
• General and Administrative	\$ 87,706,000
• Depreciation and Amortization	\$ 103,220,000
• Return on Property and Equipment	\$ 265,762,000 ⁹
• Taxes	\$ <u>0</u> ¹⁰
• Total	\$ 736,324,000
• Lines Served	1,579,500
• <u>Cost Per-Line (annual)</u>	<u>Approximately \$470</u>
• <u>Revenues per-line without federal support (annual)</u>	<u>\$528</u>

Dobson's average monthly revenue per-line of \$44 per subscriber, or an annual amount of \$528 per-line for the same period, more than covers Dobson's annual costs of approximately \$470 per-line. **Consequently, Dobson has no need for federal universal service funding and any such funding would be a windfall for Dobson's stockholders.**

⁹ Dobson's Net Investment is estimated to be the Net Property and Equipment of \$534,409,000 plus Inventories of \$18,351,000 plus Net Licenses of \$1,707,141,000 plus Intangibles of \$102,423,000, for a total of \$2,362,324,000 as of September 30, 2003 from the Dobson's SEC report. The Federal return on net investment of 11.25% times \$2,362,324,000 is \$265,762,000.

¹⁰ Income taxes were set at zero because the net income, shown in the Consolidated Statement of Operations is negative.

Nextel

The following information was compiled from Nextel's Securities and Exchange (SEC) Report:

	September 30, 2003 <u>Annualized¹¹</u>
• Cost of Service	\$1,624,000
• Cost of Handsets and Accessories	\$1,387,000
• Selling, General and Administrative	\$3,356,000
• Depreciation and Amortization ¹²	\$1,685,000
• Return on Property and Equipment	\$1,848,000 ¹³
• Taxes	<u>\$ 52,000</u>
• Total	\$9,952,000
• Lines Served	12,329
• <u>Estimated Annual Cost Per-Line</u>	<u>\$807</u>
• <u>Estimated Annual Revenues per-line without Florida federal support</u>	<u>\$845¹⁴</u>

Nextel's average annual revenue per-line covers Nextel's estimated annual costs of \$807 per-line. **Consequently, Nextel has no need for federal universal service funding.**

¹¹ Amounts from September 30, 2003 report divided by .75.

¹² This amount appears to include Nextel's license, customer list and goodwill amortizations.

¹³ Nextel's Net Investment is estimated to be the Net Property and Equipment of \$8,802,000 plus Inventories of \$213,000 plus Net Licenses(Intangible Assets) of \$6,937,000 plus other current assets of \$150,000 plus Other assets \$327,000, for a total of \$16,429,000 as of September 30, 2003 from the Nextel SEC report. The Federal return on net investment of 11.25% times \$16,429,000 is \$1,848,000.

¹⁴ September 30, 2003 operating revenues of \$7,814,000 divided by .75 to annualize divided by the lines served.